

108TH CONGRESS
1ST SESSION

H. R. 3108

AN ACT

To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to temporarily replace the 30-year Treasury rate with a rate based on long-term corporate bonds for certain pension plan funding requirements and other provisions, and for other purposes.

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To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to temporarily replace the 30-year Treasury rate with a rate based on long-term corporate bonds for certain pension plan funding requirements and other provisions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Pension Funding Eq-
5 uity Act of 2003”.

6 **SEC. 2. FINDINGS; SENSE OF CONGRESS.**

7 (a) FINDINGS.—The Congress finds the following:

8 (1) The defined benefit pension system has re-
9 cently experienced severe difficulties due to an un-
10 precedented economic climate of low interest rates,
11 market losses, and an increased number of retirees.

12 (2) The discontinuation of the issuance of 30-
13 year Treasury securities has made the interest rate
14 on such securities an inappropriate and inaccurate
15 benchmark for measuring pension liabilities.

16 (3) Using the current 30-year Treasury bond
17 interest rate has artificially inflated pension liabil-
18 ties and therefore adversely affected both employers
19 offering defined benefit pension plans and working
20 families who rely on the safe and secure benefits
21 that these plans provide.

22 (4) There is consensus among pension experts
23 that an interest rate based on long-term, conserv-
24 ative corporate bonds would provide a more accurate
25 benchmark for measuring pension plan liabilities.

5 (b) SENSE OF CONGRESS.—It is the sense of the
6 Congress that the Congress must ensure the financial
7 health of the defined benefit pension system by working
8 to promptly implement—

12 (2) comprehensive funding reforms aimed at
13 achieving accurate and sound pension funding to en-
14 hance retirement security for workers who rely on
15 defined pension plan benefits, to reduce the volatility
16 of contributions, to provide plan sponsors with pre-
17 dictability for plan contributions, and to ensure ade-
18 quate disclosures for plan participants in the case of
19 underfunded pension plans.

20 SEC. 3. TEMPORARY REPLACEMENT OF 30-YEAR TREASURY
21 RATE.

22 (a) EMPLOYEE RETIREMENT INCOME SECURITY ACT
23 OF 1974.—

24 (1) DETERMINATION OF PERMISSIBLE
25 RANGE.—

23 (B) SECRETARIAL AUTHORITY.—Subclause
24 (III) of section 302(b)(5)(B)(ii) of such Act, as

1 redesignated by subparagraph (A), is
2 amended—

3 (i) by inserting “or (II)” after “sub-
4 clause (I)” the first place it appears, and
5 (ii) by striking “subclause (I)” the
6 second place it appears and inserting
7 “such subclause”.

8 (C) CONFORMING AMENDMENT.—Sub-
9 clause (I) of section 302(b)(5)(B)(ii) of such
10 Act is amended by inserting “or (III)” after
11 “subclause (II)”.

12 (2) DETERMINATION OF CURRENT LIABILITY.—
13 Clause (i) of section 302(d)(7)(C) of such Act is
14 amended by adding at the end the following new
15 subclause:

23 (3) PBGC.—Clause (iii) of section
24 4006(a)(3)(E) of such Act is amended by adding at
25 the end the following new subclause:

1 “(V) In the case of plan years beginning after
2 December 31, 2003, and before January 1, 2006,
3 the annual yield taken into account under subclause
4 (II) shall be the annual yield determined by the Sec-
5 retary of the Treasury on amounts conservatively in-
6 vested in long-term corporate bonds for the month
7 preceding the month in which the plan year begins.
8 For purposes of the preceding sentence, the Sec-
9 retary of the Treasury shall determine such yield on
10 the basis of one or more indices selected periodically
11 by the Secretary, and the Secretary shall make such
12 yield publicly available.”.

13 (b) INTERNAL REVENUE CODE OF 1986.—

14 (1) DETERMINATION OF PERMISSIBLE
15 RANGE.—

16 (A) IN GENERAL.—Clause (ii) of section
17 412(b)(5)(B) of the Internal Revenue Code of
18 1986 is amended by redesignating subclause
19 (II) as subclause (III) and by inserting after
20 subclause (I) the following new subclause:

21 “(II) SPECIAL RULE FOR YEARS
22 2004 AND 2005.—In the case of plan
23 years beginning after December 31,
24 2003, and before January 1, 2006,
25 the term ‘permissible range’ means a

rate of interest which is not above,
and not more than 10 percent below,
the weighted average of the rates of
interest on amounts conservatively in-
vested in long-term corporate bonds
during the 4-year period ending on
the last day before the beginning of
the plan year. Such rates shall be de-
termined by the Secretary on the
basis of one or more indices selected
periodically by the Secretary, and the
Secretary shall make the permissible
range publicly available.”.

14 (B) SECRETARIAL AUTHORITY.—Subclause
15 (III) of section 412(b)(5)(B)(ii) of such Code,
16 as redesignated by subparagraph (A), is
17 amended—

18 (i) by inserting “or (II)” after “sub-
19 clause (I)” the first place it appears, and
20 (ii) by striking “subclause (I)” the
21 second place it appears and inserting
22 “such subclause”.

23 (C) CONFORMING AMENDMENT.—Sub-
24 clause (I) of section 412(b)(5)(B)(ii) of such

1 Code is amended by inserting “or (III)” after
2 “subclause (II)”.

3 (2) DETERMINATION OF CURRENT LIABILITY.—

4 Clause (i) of section 412(l)(7)(C) of such Code is
5 amended by adding at the end the following new
6 subclause:

14 (c) EFFECTIVE DATE.—

1 applied as if such amendments had been in effect for
2 all years beginning before such date.

Passed the House of Representatives October 8,
2003.

Attest:

Clerk.